

## SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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# SABB HSBC Saudi Arabia PMI™

PMI hits 10-month low in July as both output and new order growth slow sharply

### Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia *Purchasing Managers' Index™ (PMI™)* for July 2011 – a monthly report issued by the bank and HSBC. It reflects the economic performance of Saudi Arabian non-oil producing private sector companies and establishments through the monitoring of a number of variables, including output, new orders, exports, input prices, output prices, quantity of purchases, stocks and employment.

PMI data signalled a sharp slowdown in the rate of expansion of Saudi Arabia's non-oil private sector economy at the start of Q3. Noticeably weaker rises were recorded in both output and new orders, while job creation also moderated. Reflecting this, the headline seasonally adjusted SABB HSBC Saudi Arabia PMI™ registered a 10-month low of 60.0 (down from 62.8 in June). Nevertheless, the PMI remained comfortably above the neutral mark of 50.0, suggesting that business conditions continued to improve at a marked pace.

KSA non-oil private sector companies recorded further growth of new business in July, which respondents linked to favourable market conditions, good demand and new product launches. However, the rate of expansion slowed noticeably from June's near-record high to a nine-month low. This was despite a faster increase in new export business. New work from abroad rose at an unprecedented rate in the latest survey period.

In line with a weaker trend in new order growth, output rose at a much slower pace during July. Nevertheless, activity continued to expand at a robust pace. Medium-sized firms registered a stronger increase in output than small or large companies.

Unfinished business continued to accumulate during July. However, the rate of increase remained only marginal and much weaker than the average for the past year.

To manage current workloads and company expansions, as well as to comply with the government's new Nitaqat system, firms recruited additional workers in July. Employment rose solidly, but at a milder rate than in the previous four months.

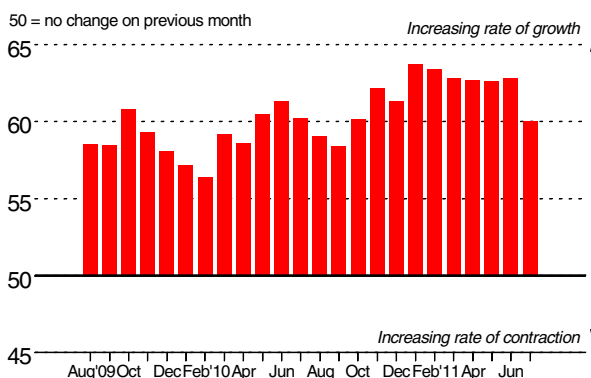
Buying activity increased at a much slower rate in July, reflecting an easing trend in new order growth. Input stocks continued to rise solidly.

### Key Points

- Output rises at slowest pace since February 2010
- Jobs growth continues to slow, but remains solid
- Input price inflation broadly stable in July
- Charges rise at slowest pace for five months

### Historical Overview

#### SABB HSBC Saudi Arabia PMI



Panellists reported longer lead times in July for the first time in the survey history. Firms blamed greater demand for inputs, low manpower at suppliers and payment problems for delays. That said, the rate of deterioration was only slight.

Input price inflation was broadly stable in July, as a sharper rise in staff costs was outweighed by a slowdown in purchase price inflation. In relation to the series trend, the overall rate of increase was nonetheless substantial.

Companies took advantage of favourable demand conditions to pass through some of their increased input costs to customers in July. Charges rose solidly as a result, but at the slowest pace for five months.

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## Notes to Editors:

### About SABB HSBC Saudi Arabia Purchasing Managers' Index™

The *Purchasing Managers' Index™* is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Saudi Arabia economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

### SABB:

SABB is a Saudi joint stock company, quoted on the Saudi stock exchange (Tadawul). The HSBC Group has a 40% stake in SABB.

SABB is one of the largest banks in Saudi Arabia, which operates through a large network of branches throughout the country and offers a comprehensive portfolio of personal, corporate and private banking services, both conventional and Islamic.

SABB provides specialist corporate finance services including investment banking advisory, debt and project finance through its associate, HSBC Saudi Arabia Limited. In addition, SABB offers insurance products through SABB Takaful and equity brokerage services through SABB Securities Limited.

### HSBC:

HSBC is one of the largest banking and financial services organisations in the world, with a market capitalisation of US\$180bn at 31 December 2010. We are headquartered in London. As 'The world's local bank', we combine the largest global emerging markets banking business and a uniquely cosmopolitan customer base with an extensive international network and substantial financial strength. HSBC operates through long-established businesses and has an international network of some 7,500 offices in 87 countries and territories in six geographical regions; Europe, Hong Kong, Rest of Asia-Pacific, the Middle East, North America and Latin America.

### About Markit:

Markit is a leading, global financial information services company with over 2,200 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see [www.markit.com](http://www.markit.com).

### About PMIs:

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

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